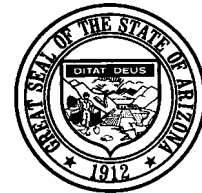


ARIZONA

TAXNEWS



Janet Napolitano, Governor

Gale Garriott, Director

Inside this issue:

NEW DIRECTOR NAMED

CITY/TOWN TAX RATE CHANGES

INDIVIDUAL INCOME TAX FILING SEASON STATISTICS

ROC STATEWIDE OUTREACH EFFORTS CONTINUE

DOR RULING ISSUED

TPT-ES REMINDER

ARIZONA DEPARTMENT OF REVENUE

MISSION STATEMENT

To administer tax laws fairly
and efficiently for the
people of Arizona

WE'RE ON THE WEB!

The Arizona TaxNews can
be viewed on our Internet
website:

www.azdor.gov

GOVERNOR APPOINTS NEW DIRECTOR NEW DEPUTY DIRECTOR ALSO NAMED

Gov. Janet Napolitano announced in March that she has named Gale L. Garriott as the new director of the Arizona Department of Revenue. Garriott currently serves as deputy director of the Department. He replaced Elliott Hibbs, who retired April 9.

"I am thrilled to have Gale join my cabinet as the director of the Department of Revenue," Napolitano said. "I believe Gale's leadership will allow for a smooth transition and will maintain the high quality of service Arizona taxpayers expect from the Department."

Garriott has extensive knowledge of tax litigation and has worked in the tax field for 16 years. In addition to his current service as deputy director, he has served as a tax appeals hearing officer for DOR, and as chief counsel of the tax section at the Arizona Attorney General's Office.

"Gale Garriott is an excellent choice to be the next director of Revenue," said Hibbs. "He will continue to lead the Department on a positive path of providing equitable and consistent tax administration for the State."

Garriott received a Juris Doctorate from Valparaiso University School of Law and a Master of Laws in Taxation from the University of Florida College of

Law. While in the Armed Services, he also served for fifteen months as an Honor Guard at the Tomb of the Unknown Soldier, Arlington National Cemetery.

He became Revenue director April 11, following Hibbs retirement. Garriott's appointment is subject to state Senate confirmation.

Deputy Director Named

In a separate announcement, Garriott announced Kristine Ward as the department's new deputy director, effective May 9. Ward is very familiar with the Arizona state government and was the Deputy Director of the Governor's Office of Strategic Planning & Budgeting. She has more than 15 years in financial management experience as well as extensive experience in project management, information technology, fund accounting, government procurement, and fiscal and policy analysis.

Ward holds a Master of Public Administration from Arizona State University and a Bachelors of Science in Business Administration from Bowie State University in Bowie, Maryland.

*****REMINDER*****

FOR NON-EFT TPT FILERS

**To avoid a delinquency, postmark your
May 2005 TPT return no later than
June 27, 2005 or deliver to DOR no later
than June 29, 2005.**

The Tax Facts—Summary of General Fund
Revenues & Individual Income Tax Receipts—
are available on the department's website,
www.azdor.gov

E-Mail Your Questions

If you have a question that you cannot find the
answer to, our Technical Assistance personnel may
prove useful to you. We will gladly respond to any
e-mail technical tax inquiry. All inquiries will be
responded to within two working days.

E-mail your question to:

TaxpayerAssistance@azdor.gov

In the interest of maintaining confidentiality, DOR
cannot respond to inquiries that include a Social
Security number, FEIN, TPT or W/H number, or
other specific taxpayer identifiers.

Department of Revenue Telephone Numbers & Web addresses

Individual & Corporate Income Tax

..... (602) 255-3381

Toll-free from

area codes 520 and 928..... (800) 352-4090

Transaction Privilege, Use, Withholding Tax, Licensing..... (602) 255-2060

Toll-free from

area codes 520 and 928..... (800) 843-7196

Hearing Impaired TDD User .. (602) 542-4021

Toll-free from

area codes 520 and 928..... (800) 397-0256

To order forms by phone (602) 542-4260

Forms by fax (602) 542-3756

**Forms and instructions are also available
on our website at** www.azdor.gov

**Businesses can now register, file and pay
online at** www.AZTaxes.gov

TAX CALENDAR

JUNE 2005

Due Date		For Period Ending
15	Income Tax Returns:	2/28/05
	Form 120: Corporation	
	Form 140: Individual	
	Form 141: Fiduciary	
	Form 165: Partnership	
15	Form 120: Corporation with Automatic Extension	8/31/04
15	Form 120S: S Corporation	3/31/05
15	Form 99: Exempt Organization Annual Information Return	
	Form 99T: Exempt Organization	1/31/05
15	Form 120ES: Estimated Tax Payment, Corporation	
	First Installment	2/28/06
	Second Installment	12/31/05
	Third Installment	9/30/05
	Fourth Installment	6/30/05
20	TPT-ES Transaction Privilege Tax: Estimated Payment	6/30/05
20	Form TPT-1: Transaction Privilege Tax: May Monthly Filers	5/31/05
20	Bingo: Financial Reports	5/31/05
20	Luxury Tax: Various Forms	5/31/05
27	EFT Form TPT-1 and Payment: Transaction Privilege Tax: May Monthly Filers	5/31/05
27	TPE-ES: Transaction Privilege Tax: Estimated Payment for EFT payors	6/30/05

Withholding Tax Payment Information:

If the average amount of Arizona income taxes withheld in the preceding
four calendar quarters **exceeds** \$1,500 the employer must make its Arizona
withholding payments to the Department of Revenue at the same time as
the employer is required to make federal withholding deposits.

If the average amount of Arizona income taxes withheld in the preceding
four calendar quarters **does not exceed** \$1,500 the employer must make its
Arizona withholding payments to the department on a quarterly basis.

Editor's Note

Please accept our apology for the lack of issues of the Arizona
Tax News since the December 2004 issue. For various reasons,
we have been unable to distribute another issue until now. In
fairness to our subscribers, we are extending the expiration date
of all who were paid subscribers during this period.

The *Arizona TaxNews* is a publication of the Arizona Department of
Revenue. Information contained herein is of a general nature and is not
designed to address complex issues in detail. Taxpayers requiring
information concerning a specific tax matter should contact the
appropriate office. This newsletter is available in an alternative format
upon request. Subscription information may be obtained from the
Publications Unit at 602-716-6797 or toll free from area codes 520 &
928, 1-877-863-0655.

CHANGE IN CITY TAX CODE—CITY OF SURPRISE EFFECTIVE JULY 1, 2005

Effective July 1, 2005: On April 14, 2005 the Mayor and City Council of the City of Surprise passed ordinance number 05-13. Ordinance 05-13 increases the Surprise City Privilege Tax on Construction Contracting Section 415, 416 and 417 from **2.2% to 3.7%**. The tax on Construction Contracting shall be reported using **SP005**.

The increase imposed by ordinance 05-13 shall not apply to construction contracts entered into prior to the effective date of the ordinance. Pre-existing construction contracts should be reported using **SP008** at a rate of **2.2%**.

CHANGE IN CITY TAX CODE—TOWN OF SAHUARITA EFFECTIVE JULY 1, 2005

Effective July 1, 2005: On January 24, 2005 the Mayor and Town Council of the Town of Sahuarita passed ordinance number 2005-01. Ordinance 2005-01 increases the Sahuarita Town Privilege Tax on Construction Contracting Section 415, 416 and 417 from **3% to 4%**. The tax on Construction Contracting shall be reported using **SA002**.

On February 14, 2005 the Mayor and Town Council of the Town of Sahuarita passed ordinance number

2005-02. Ordinance 2005-02 deletes Local Option N and follows the standard provisions of the Model City Tax Code which provides for no exclusion for the cost or fair market value of land.

The increase imposed by ordinance 2005-01 shall not apply to construction contracts entered into prior to the effective date of the ordinance. Pre-existing construction contracts should be reported using **SA008** at a rate of **3%**.

TOWN OF DEWEY-HUMBOLDT ADOPTS MODEL CITY TAX CODE AND ENTERS STATE COLLECTIONS AND ADMINISTRATION PROGRAM

Effective May 1, 2005: On February 7, 2005 the Mayor and Town Council of the Town of Dewey-Humboldt passed ordinance number 05-02. Ordinance 05-02 adopts the Model City Tax Code for the Town of Dewey-Humboldt. Ordinance 05-02 provides that as of May 1, 2005, the Town of Dewey-Humboldt will participate in the State Collection and Administration Program.

The following reporting codes have been set up for Dewey-Humboldt:

Privilege Tax	DH 000	2.00%
Use Tax	DH 002	2.00%
Hotel/Motel (Additional Tax)	DH 003	2.00%
Metalliferous Mining	DH 005	0.10%

The Town of Dewey-Humboldt taxes the following classifications:

Advertising; Amusements; Construction Contracting; Job Printing; Manufactured Buildings; Timbering and other extraction; Mining; Publishing; Hotels; Rental of real property; Additional Tax on Transient Lodging; Rental of Tangible personal property; Restaurants and Bars; Retail; Telecommunications; Transporting for hire; Utilities and Use Tax.

E-File—Fast, Accurate, Saves Money

More accurate, less errors, faster preparation for tax preparers, faster refunds for clients, faster processing for the department... Everyone wins!

Congratulations! Thanks to your support and participation, Arizona e-file increased 19% this filing season over last year!

The growth of E-file has helped in getting income tax refunds in the hands of taxpayers faster than ever before. Some taxpayers have reported receiving refunds in as few as three days with direct deposit.

E-file was also beneficial for taxpayers who did not expect a refund. Taxpayers also took advantage of the ‘file now, pay later’ option by utilizing direct debit from their bank account. Some taxpayers e-filed their returns but mailed a check later with the voucher.

The error rate for e-filed returns has dropped for the third straight year. This dramatic reduction in errors (2002 – 6%; 2003 – 1.8%, and 2004 – 1.0%) is due largely to the hard work of the software developers and tax professionals.

E-file brings you customers and saves you time! Tax Professionals who e-filed reported using an average of 10 minutes less per return!

Arizona Income Tax Filing Season Statistics

(as of April 29, 2005)

<u>Returns</u>	2005 YTD	2004 YTD
Paper	1,119,376	1,184,850
e-File	973,467	818,024
TOTAL	2,092,843	2,002,874
<u>Refunds</u>		
Warrants (paper, mailed)		
Number	615,867	677,177
\$ amount	\$ 230,858,368	\$ 270,697,550
Average	\$ 374.85	\$ 399.74
Direct Deposit		
Number	521,489	480,819
\$ amount	\$ 317,644,192	\$ 300,029,254
Average	\$ 609.11	\$ 624.00
TOTAL		
Number	1,137,356	1,157,996
\$ amount	\$ 548,502,560	\$ 570,726,804
Average	\$ 482.26	\$ 492.86

ROC STATEWIDE OUTREACH EFFORTS CONTINUE

Message from ROC Director Israel G. Torres:

This year so far has been action-packed for the Registrar of Contractor's outreach and proactive enforcement efforts –Arizona City, Bullhead City, Prescott, Sun Lakes, Sun City and other parts of Maricopa County all have felt our presence this year. Throughout 2005, we'll continue to move our Special Operations Unit around the state to reinforce the message that for the ROC, unlicensed contracting is "public enemy #1."

The ROC's most recent undercover stings took place in Bullhead City and Prescott. During the three-day operation in Bullhead City, 17 cases of unlicensed contracting were found, as well as 11 advertising violations. In conjunction with these cases, the ROC issued eight criminal citations and seven civil citations.

The most notable of the offenders is José Guerrero, whose case demonstrates how unlicensed contracting commonly escalates to other types of criminal activity. A senior couple in Mohave County reported that they paid Guerrero \$14,250 to repair some water damage at their home caused by a storm. During the project, Guerrero convinced the victims their house was unsafe and charged them \$3,500 to move them to a rental property (an exorbitant price, even for a full-service moving company). Guerrero also convinced the couple to sign a blank document to be used later to file an insurance claim, but he never completed the document or the claim. Instead, he used it to gain Power of Attorney, giving him control of their \$300,000 home. With the ROC's assistance, the couple was able to nullify the Power of Attorney

before any further damage could occur. An arrest warrant was issued and Guerrero was charged with fraud, theft and forgery – all felonies. Guerrero remains at large, possibly in Colorado, and the ROC is working with authorities there to apprehend him.

Prescott was host to the ROC's most recent undercover sting operation in late April, and preliminary results include 13 unlicensed contracting violations and various advertising violations. The ROC plans to pursue criminal charges on all of these cases. As the explosive residential and commercial growth continues statewide, the ROC will continue to work with industry stakeholders and the community to ensure that consumers steer clear of hiring unlicensed contractors. The agency is eager to work with our industry partners in other parts of the state to conduct similar operations this year, as well.

In addition to our enforcement activities, I also want the ROC to be available to *licensed* contractors to offer assistance and information and to hear from them about ROC services. Keeping this in mind, the agency established the *ROC Contractors' Seminar*. The workshop offers information on how to avoid homeowner complaints, tips about workmanship standards and job site inspections, as well as the opportunity for contractors to share their concerns and ideas with ROC team members. The free, two-hour seminar is held quarterly in Phoenix, but also is available to any contractor association in the state. To schedule a ROC Contractors' Seminar in your town, call 602-542-1525, ext. 7115, or toll-free outside Maricopa County at 1-888-271-9286, ext. 7115.

DOR RULING ISSUED

One ruling was issued by the department. It can be found on the department's website, www.azdor.gov

- Arizona General Tax Ruling, GTR 05-1, Arizona Department of Revenue standards for alternative methods for signing original returns, amended returns or requests for filing extensions.



TPT-ES REMINDER

Annual estimated payments of the transaction privilege, telecommunication services excise and county excise taxes are required, if a taxpayer's actual combined tax liability for the transaction privilege, telecommunication services excise and county excise taxes in the preceding calendar year was \$100,000 or more, or if the taxpayer can reasonably anticipate a liability for such taxes of \$100,000 or more in the current year. For purposes of the annual estimated tax payment, "taxpayer" is defined as the business entity under which the business reports and pays state income taxes, regardless of the number of business locations collecting the transaction privilege, telecommunication services excise and county excise taxes.

The amount of payment required is either the actual Transaction Privilege Tax liability for the first 15 days of June 2005 or one-half of the actual Transaction Privilege Tax liability for May 2005.

For those taxpayers required or electing to pay in immediately available monies (EFT), the due date is June 27. The payment is delinquent if not transferred by that day. For all others, the due date is June 20. The payment must be postmarked by the June 20 or received in the Department by June 29, the business day preceding the last business day of June.